

**SEC. 989E. ADDITIONAL OVERSIGHT OF FINANCIAL REGULATORY SYSTEM.**

(a) COUNCIL OF INSPECTORS GENERAL ON FINANCIAL OVERSIGHT.—

(1) ESTABLISHMENT AND MEMBERSHIP.—There is established a Council of Inspectors General on Financial Oversight (in this section referred to as the “Council of Inspectors General”) chaired by the Inspector General of the Department of the Treasury and composed of the inspectors general of the following:

(A) The Board of Governors of the Federal Reserve System.

(B) The Commodity Futures Trading Commission.

(C) The Department of Housing and Urban Development.

(D) The Department of the Treasury.

(E) The Federal Deposit Insurance Corporation.

(F) The Federal Housing Finance Agency.

(G) The National Credit Union Administration.

(H) The Securities and Exchange Commission.

(I) The Troubled Asset Relief Program (until the termination of the authority of the Special Inspector General for such program under section 121(k) of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5231(k))).

(2) DUTIES.—

(A) MEETINGS.—The Council of Inspectors General shall meet not less than once each quarter, or more frequently if the chair considers it appropriate, to facilitate the sharing of information among inspectors general and to discuss the ongoing work of each inspector general who is a member of the Council of Inspectors General, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight.

(B) ANNUAL REPORT.—Each year the Council of Inspectors General shall submit to the Council and to Congress a report including—

(i) for each inspector general who is a member of the Council of Inspectors General, a section within the exclusive editorial control of such inspector general that highlights the concerns and recommendations of such inspector general in such inspector general’s ongoing and completed work, with a focus on issues that may apply to the broader financial sector; and

(ii) a summary of the general observations of the Council of Inspectors General based on the views expressed by each inspector general as required by clause (i), with a focus on measures that should be taken to improve financial oversight.

(3) WORKING GROUPS TO EVALUATE COUNCIL.—

(A) CONVENING A WORKING GROUP.—The Council of Inspectors General may, by majority vote, convene a Council of Inspectors General Working Group to evaluate the effectiveness and internal operations of the Council.

(B) PERSONNEL AND RESOURCES.—The inspectors general who are members of the Council of Inspectors General may detail staff and resources to a Council of Inspectors General Working Group established under this paragraph to enable it to carry out its duties.

(C) REPORTS.—A Council of Inspectors General Working Group established under this paragraph shall submit regular reports to the Council and to Congress on its evaluations pursuant to this paragraph.

(b) RESPONSE TO REPORT BY COUNCIL.—The Council shall respond to the concerns raised in the report of the Council of Inspectors General under subsection (a)(2)(B) for such year.

Mr. GRASSLEY. Madam President, I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant editor of the Daily Digest proceeded to call the roll.

Mr. MENENDEZ. Madam President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. MENENDEZ. Madam President, I rise to speak on the pending amendment, the amendment by Senator GRASSLEY. I have a great deal of respect for the Senator from Iowa. Actually, there is a series of things I propose that are in the underlying bill that go to the heart of much of what that amendment is going to do.

I would start off by saying I agree with most of what my colleagues are proposing. I agree we need to make sure we have a strong regulatory agency to act as cops on the beat. We need to make sure those cops on the beat are doing their job.

I agree we should require financial regulators to respond when inspectors general identify deficiencies in their agencies—either by taking corrective action or explaining to Congress why they are not taking those actions.

I agree we should require inspectors general to report to the board of the organization rather than the head of the organization.

I agree we should require publication of any negative recommendations from the inspector general’s peer review of the work of other inspectors general.

I also agree inspectors general should not suffer any reduction in pay and that current inspectors general should keep their jobs until the new Presidential appointment system I included in the legislation kicks in.

I think those are great ideas and I proposed them myself. But here is where we have a disagreement. That is that this amendment takes away something I think is incredibly important in the underlying bill. It takes away making these inspectors general at these financial institutions Presidential appointments with Senate confirmation of inspectors general at financial regulatory agencies. In its place, it wants to let the heads of the agencies appoint their own inspectors general.

I think that inures to the possibility of conflicts of interest. Look, if I am the head of an agency and I am going to put in the cop on the beat who is going to supervise me, the inclination is to pick someone who is going to give me a lot of flexibility at the end of the day.

I want a robust cop on the beat. The way I ensure there is a robust cop on the beat, in terms of the inspector general, is having a Presidentially appointed one, one confirmed by the Senate, to know that in fact this person is worthy of pursuing all of the actions of that particular agency in a robust way

so they are independent of the agency, not appointed by the very head of the agency they are now going to supervise and review.

I think that is a fundamental weakness, which is why the Banking Committee agreed with me and put the Presidential appointment there and Senate confirmation of inspectors general at financial regulatory agencies.

It seems to me what we want an inspector general to do is make sure the agency is doing its job. Being appointed by the head of the very agency I have to criticize, that I have to criticize, that I may raise actions about, means it is a lot less likely the inspector general is truly independent. It is like going to court and saying let me pick the judge who is going to decide on my case. We wouldn’t tolerate that in a courtroom and I do not see this as being any different.

I have so much with which I am in agreement with my distinguished colleague, as I mentioned at the beginning—all of those elements. I think we need to make sure when an inspector general identifies efficiencies, either by taking corrective action or explaining to Congress why they are not, that needs to be responded to by the regulators. I agree we should require inspectors general to report to the boards of organizations rather than the head of the organization. I agree we should require publication of any negative recommendation from the IG peer review of any other inspector general’s work. I agree the inspectors general should not suffer any reduction in pay and that those who are there should be able to keep their job until the new Presidential appointment system kicks in.

But at the end of the day, if we want a true cop on the beat who is independent of the very agency he or she has to review, I would not want them appointed by the head of the agency and say to themselves, who am I appointing? Am I appointing a robust cop on the beat or am I appointing someone who is far less than robust?

We have forum shopping in the court. Trial lawyers try to pick the best judge from their perspective as to who can best look at their case. I want to be honest. I don’t think we should be having the agency heads picking the IG and looking at who is going to treat them most lightly.

I think that is what is at stake. The underlying bill permits the Presidentially appointed, Senate confirmed. I think we should have that right. I think we need a robust cop on the beat and that is why in that one respect I oppose the Grassley amendment.

I hope we can work something out so we can keep the Presidential appointment and Senate confirmation and have all of the other safeguards, many of which I already offered in the bill to be included, and we would have a harmony of view and a robust inspector general regime.